

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 259 Session of
2013

INTRODUCED BY YAW, BAKER, FONTANA, RAFFERTY, FOLMER, VOGEL,
WAUGH, BROWNE, McILHINNEY, VULAKOVICH AND HUGHES,
JANUARY 18, 2013

AS REPORTED FROM COMMITTEE ON ENVIRONMENTAL RESOURCES AND
ENERGY, HOUSE OF REPRESENTATIVES, AS AMENDED, JUNE 25, 2013

AN ACT

1 Amending the act of July 20, 1979 (P.L.183, No.60), entitled "An
2 act regulating the terms and conditions of certain leases
3 regarding natural gas and oil," adding definitions; providing
4 for payment information to interest owners for accumulation
5 of proceeds from production, FOR APPORTIONMENT AND FOR
6 CONFLICTS; and making editorial changes. <--

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. Section 1 of the act of July 20, 1979 (P.L.183,
10 No.60), entitled "An act regulating the terms and conditions of
11 certain leases regarding natural gas and oil," is repealed:

12 [Section 1. A lease or other such agreement conveying the
13 right to remove or recover oil, natural gas or gas of any other
14 designation from lessor to lessee shall not be valid if such
15 lease does not guarantee the lessor at least one-eighth royalty
16 of all oil, natural gas or gas of other designations removed or
17 recovered from the subject real property.]

18 Section 2. The act is amended by adding sections to read:

1 Section 1.1. Short title.

2 This act shall be known and may be cited as the Oil and Gas
3 Lease Act.

4 Section 1.2. Definitions.

5 The following words and phrases when used in this act shall
6 have the meanings given to them in this section unless the
7 context clearly indicates otherwise:

8 "Check stub." The financial record attached to a check.

9 "Division order." An agreement signed by an interest owner
10 directing the distribution of proceeds from the sale of oil,
11 gas, casing head gas or other related hydrocarbons. The order
12 shall direct and authorize the payor to make payment for the
13 products taken in accordance with the division order.

14 "Interest owner." A person who is legally entitled to
15 payment from the proceeds derived from the sale of oil or gas
16 from an oil or gas well located in this Commonwealth.

17 "Mcf." A unit of measurement expressed by 1,000 cubic feet.

18 Section 1.3. Royalty guaranteed.

19 A lease or other such agreement conveying the right to remove
20 or recover oil, natural gas or gas of any other designation from
21 the lessor to the lessee shall not be valid if the lease does
22 not guarantee the lessor at least one-eighth royalty of all oil,
23 natural gas or gas of other designations removed or recovered
24 from the subject real property.

25 Section 3. Section 2 of the act is amended to read:

26 [Section 2. An oil, natural gas or other designation gas
27 well or oil, natural gas or other designation gas lease which
28 does not provide a one-eighth metered royalty shall be subject
29 to such an escalation when its original state is altered by new
30 drilling, deeper drilling, redrilling, artificial well

1 stimulation, hydraulic fracturing or any other procedure for
2 increased production. A lease shall not be affected when the
3 well is altered through routine maintenance or cleaning.]

4 Section 2. Escalation required for alteration to original
5 state.

6 An oil, natural gas or other designation gas well or oil,
7 natural gas or other designation gas lease which does not
8 include a one-eighth metered royalty shall be subject to an
9 escalation equal to one-eighth metered royalty when its original
10 state is altered by new drilling, deeper drilling, redrilling,
11 artificial well stimulation, hydraulic fracturing or any other
12 procedure to increase production. A lease shall not be affected
13 when the well is altered through routine maintenance or
14 cleaning.

15 Section 4. The act is amended by adding sections to read:

16 SECTION 2.1. APPORTIONMENT. <--

17 WHERE AN OPERATOR HAS THE RIGHT TO DEVELOP MULTIPLE
18 CONTIGUOUS LEASES SEPARATELY, THE OPERATOR MAY DEVELOP THOSE
19 LEASES JOINTLY BY HORIZONTAL DRILLING UNLESS EXPRESSLY
20 PROHIBITED BY A LEASE. IN DETERMINING THE ROYALTY WHERE MULTIPLE
21 CONTIGUOUS LEASES ARE DEVELOPED, IN THE ABSENCE OF AN AGREEMENT
22 BY ALL AFFECTED ROYALTY OWNERS, THE PRODUCTION SHALL BE
23 ALLOCATED TO EACH LEASE IN SUCH PROPORTION AS THE OPERATOR
24 REASONABLY DETERMINES TO BE ATTRIBUTABLE TO EACH LEASE.

25 Section 3.1. Commencement of guaranteed royalty.

26 Whenever a procedure to increase production has been
27 completed prior to the effective date of this section, metering
28 and the royalty required under section 1.3 or 2 shall commence
29 after December 17, 1979.

30 Section 3.2. Payment information to interest owners.

1 Whenever payment is made for oil or gas production to an
2 interest owner, whether pursuant to a division order, lease,
3 servitude or other agreement, all of the following information,
4 at a minimum, shall be included on the check stub or on an
5 attachment to the form of payment, unless the information is
6 otherwise provided on a regular basis:

7 (1) A name, number or combination of name and number
8 that identifies the lease, property, unit or well or wells
9 for which payment is being made; and the county in which the
10 lease, property or well is located.

11 (2) Month and year of gas production.

12 (3) Total barrels of crude oil or number of Mcf of gas
13 or volume of natural gas liquids sold.

14 (4) Price received per barrel, Mcf or gallon.

15 (5) Total amount of severance and other production taxes
16 and other deductions permitted under the lease, with the
17 exception of windfall profit tax.

18 (6) Net value of total sales from the property less
19 taxes and deductions from paragraph (5).

20 (7) Interest owner's interest, expressed as a decimal or
21 fraction, in production from paragraph (1).

22 (8) Interest owner's share of the total value of sales
23 prior to deduction of taxes and deductions from paragraph
24 (5).

25 (9) Interest owner's share of the sales value less the
26 interest owner's share of taxes and deductions from paragraph
27 (5).

28 (10) Contact information, including an address and
29 telephone number.

30 Section 3.3. Accumulation of proceeds from production.

(a) General rule.--Proceeds from production of oil and gas may be accumulated and remitted to the persons entitled thereto annually for the 12 months' accumulation of proceeds totaling less than \$100.

(b) Owner to be paid,--Notwithstanding any other provision of this section to the contrary, all accumulated proceeds shall be paid to the owner thereof when production ceases or upon relinquishment or transfer of the payment responsibility.

SECTION 3.4. CONFLICTS.

IF THERE IS ANY CONFLICT BETWEEN A DIVISION ORDER AND AN OIL AND GAS LEASE, THE TERMS AND CONDITIONS OF THE OIL AND GAS LEASE SHALL CONTROL. A DIVISION ORDER MAY NOT AMEND OR SUPPLEMENT THE TERMS AND CONDITIONS OF AN OIL AND GAS LEASE.

Section 5. Section 4 of the act is amended to read:

[Section 4. This act shall take effect in 60 days.]

Section 4. Effective date.

This act shall take effect in 60 days.

Section 6. This act shall take effect in 60 days.